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HOUSING MARKET OUTLOOK

Fredericton, Moncton, Saint John - Fall 2005

Economic Growth in New Brunswick Slowing

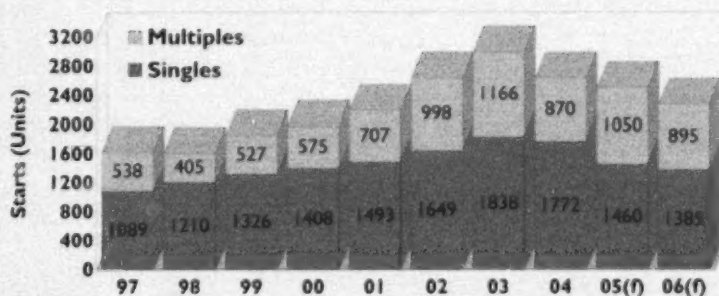
Economic expansion in 2005 for the province of New Brunswick will remain positive but will slow somewhat from last year's level. Over the forecast period, economic growth will be driven by non-residential investment focusing on public and private sector projects, such as the twining of the Trans-Canada highway in Northern New Brunswick and the planned refurbishment of the Point Lepreau power generating station, among others.

Even with major, non-residential projects stimulating other sectors of the provincial economy, overall economic growth will be hampered by lacklustre returns in other key sectors. Manufacturing, lumber exports and tourism are facing challenges, primarily due to elevated energy costs and a persistently elevated exchange rate vis à vis the U.S. dollar. These unfavourable market conditions have already led to the downsizing or closure

of several pulp and paper mills in the province and have restricted activity in the local tourism industry. These conditions are expected to persist throughout the forecast period. In light of these developments, the provincial economy is expected to expand at a moderate pace of 2.2 per cent in 2005, and 2.4 per cent in 2006. Employment growth over the forecast period will mirror the tempered growth in these key sectors, showing no increase in 2005, to be subsequently followed by a modest rebound of 0.5 per cent growth in 2006.

As a result of slowing economic and employment growth, residential construction for 2005 will ease from last year's levels, but will remain solid in historical terms. Total starts will decline to 3,600 units in 2005, followed by a further 5.6 per cent drop in 2006 to 3,400 units.

Total Urban Starts - New Brunswick



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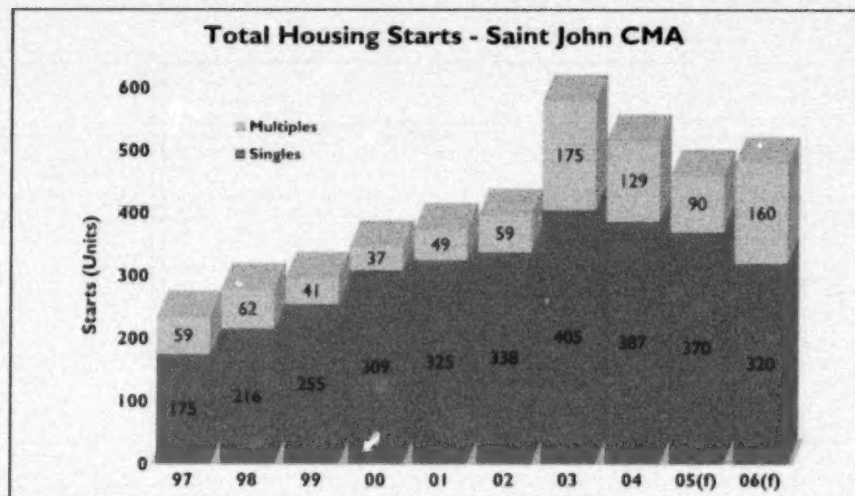
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SAINT JOHN

Employment Growth Expected Over the Forecast Period

In 2004, employment reached a record high in Greater Saint John, exceeding the 2003 levels by more than 1,600 jobs. New jobs were created in a broad range of key sectors, such as trade, service, manufacturing, transport, storage, communication and utilities. Employment growth in many key sectors clearly indicate that the Saint John economy is more diversified than ever. In 2005, monthly employment in Greater Saint John slipped slightly to a monthly average of 60,900 in the first nine months. This represents a slight decrease when compared to the monthly employment average of 62,200 in the first three quarters of last year. The decrease in total employment was due to a drop in full-time jobs. During the same period roughly 1,000 part-time jobs were created. Major projects, such as the refurbishment of the Point Lepreau nuclear power plant and the construction of a liquified natural gas facility could also generate new employment and economic growth in Saint John. Expect the labour market in Saint John to expand slightly over the forecast period. As labour market conditions improve, fewer households are expected to leave Saint John. In fact, Saint John will most likely benefit from positive net-migration over the next few years, once the refurbishment of the Point Lepreau nuclear power plant gets



under way and if the construction of a liquified natural gas facility becomes a reality.

Residential Construction to Remain Strong

Improving economic and labour market conditions will have a positive impact on the housing market. Total housing starts in Saint John are expected to decline to 460 units in 2005 before rising to 480 units in 2006. The decrease in residential activity in 2005 will be due to a decline in multiple starts. In 2006 a rise in multiple starts is expected through a combination of new rental projects through the new affordable housing program as well as a strong demand for semi-detached units. Single starts are

expected to remain strong in historical terms in 2005 and 2006. However, many home seekers will opt for an existing home on the resale market. An increase in new home prices, as well as in the supply of existing homes available for sale are viewed as some of the key factors that will help the resale market remain strong over the forecast period. Current forecasts indicate that both MLS® sales and the average MLS® sales price will reach record highs of 1,750 units and \$120,000 in 2005. The resale market will then slow down in 2006, in part due to rising home prices and mortgage rates.

FORECAST SUMMARY

Saint John CMA

	2001	2002	2003	2004	2005*	2006*	% Change
NEW HOME MARKET							
Total Starts	374	397	580	516	460	480	4.3%
Single-detached	322	330	395	374	350	300	-14.3%
Manufactured Homes **	3	8	10	13	20	20	0.0%
Multiples	49	59	175	129	90	160	77.8%
Avg. New Home Price	\$148,000	\$171,400	\$177,800	\$185,800	\$191,000	\$192,000	0.5%
Vacancy Rate	5.6%	6.3%	5.2%	5.8%	5.5%	5.2%	
RESALE MARKET							
MLS® Sales	1510	1505	1636	1612	1750	1600	-8.6%
Average Sales Price	\$97,348	\$103,544	\$106,475	\$116,836	\$120,000	\$122,000	1.7%

* Forecast

** Single sections in land leased communities

Employment Growth Slows

After a strong 2004, employment growth in Greater Moncton weakened slightly in the early part of 2005, and subsequently stabilized over the first three quarters of the current year.

Multiple Starts Rise Significantly in 2005

Multiple starts in the Greater Moncton area have rebounded significantly in 2005. At the end of the third quarter, multiple starts had more than doubled the 2004 year-to-date total. With 416 units, multiple starts are rapidly outpacing the 2004 total which stood at 277 units. Last year, developers focused primarily on the completion of projects that had carried over from the previous year (2003). At the end of the third quarter in 2004, there were 883 multiple unit completions. For 2005, the number of completions stands at 282 units. With relatively few projects carrying over from 2004 requiring completion, developers have been able to focus on new starts in 2005. This explains the dramatic increase in multiple unit starts for 2005.

Construction activity declines

The construction of single-detached housing units has slowed down considerably in 2005. As of the end of the third quarter, the monthly average number of single-detached units under construction in the Greater Moncton area has dropped approximately

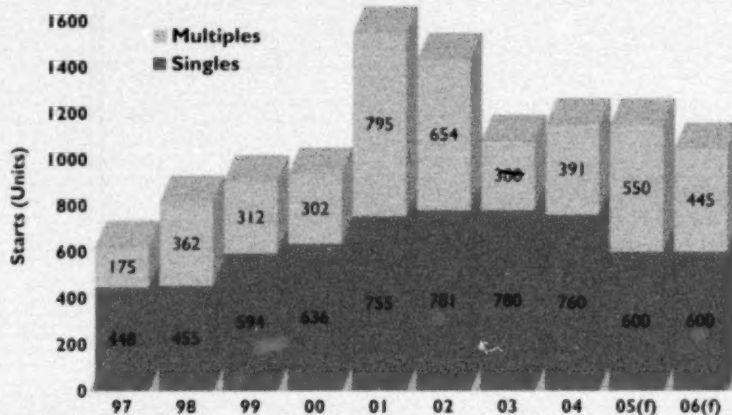
55.1 per cent. The number of completed, single-detached units at the end of the third quarter is down 51.1 per cent. There were 395 units completed in 2005, in comparison to the 597 units completed in 2004. New, single-detached starts have declined considerably for 2005. At the end of the third quarter, there were 427 units started as compared to 568 starts at the same time last year. This represents a drop of approximately 33.0 per cent. The 2005 year end total for new single-detached unit starts is expected to be approximately 38.2 per cent lower than the year end 2004 total.

Resale Market at record levels

Despite record levels of activity in the local

resale market last year, 2005 is set to surpass these previously unseen results. At the end of the third quarter, 2005 unit sales surpassed the 2004 total by approximately 10 per cent. New listings are following a similar trend with a year to date increase of 4.6 per cent. These results confirm the strength of the local resale market, in light of the fact that the average new home price has increased by an average of 9.1% in the last two years. With no anticipated downturn in the local labour market, combined with low interest rates and numerous listings, the local resale market is poised to remain strong for the remainder of 2005.

Total Housing Starts - Moncton CA



FORECAST SUMMARY Moncton CA

	2001	2002	2003	2004	2005*	2006*	% Change
NEW HOME MARKET							
Total Starts	938	1550	1435	1151	1150	1045	-9.1%
Single-detached	510	614	647	657	550	550	0.0%
Manufactured Homes **	126	141	134	103	50	50	0.0%
Multiples	302	795	654	391	550	445	-19.1%
Avg. New Home Price	\$138,650	\$144,000	\$150,200	\$164,733	\$169,000	\$174,000	3.0%
Vacancy Rate	1.6%	2.3%	2.9%	5.0%	4.8%	4.0%	
RESALE MARKET							
MLS® Sales	1666	1763	1861	2028	2200	2250	2.3%
Average Sales Price	\$92,428	\$99,942	\$104,577	\$113,096	\$120,000	\$122,000	1.7%

* Forecast

** Single sections in land leased communities

FREDERICTON

Employment Reached a New Record High in 2005

Monthly employment in Greater Fredericton reached an average of 49,100 in the first nine months of 2005, an increase of 4.6 per cent when compared to the 46,800 people employed during the same period last year. The increase in employment was mainly due to a rise in full-time jobs. New construction projects such as the e-Plex in Downtown Fredericton, indoor ice hockey rinks and fire stations will help fuel economic growth in the Capital region over the forecast period. As a result, employment is expected to remain strong into 2006, but the growth rate will not match the previous year's level. Solid labour market conditions will also continue to attract workers to the Capital region, helping to fuel housing demand.

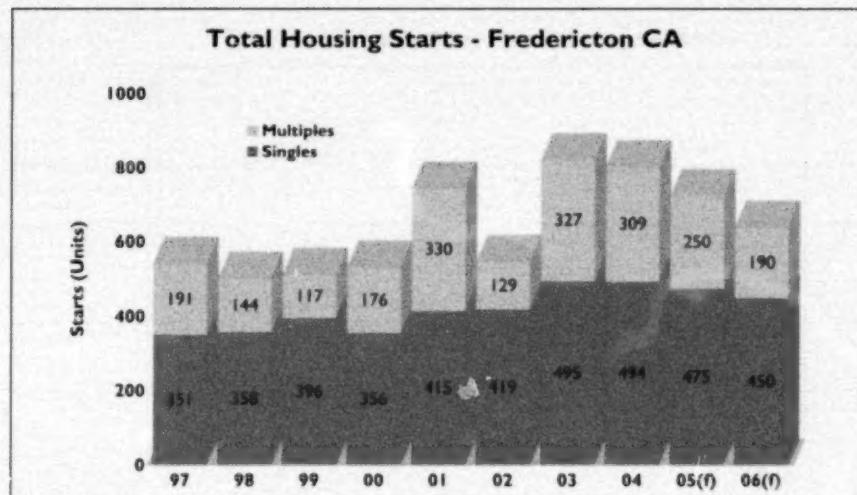
2005: Another Record Year for Realtors

Strong Employment, in-migration and continued low interest rates will continue to stimulate the resale market throughout 2005 and into 2006. Expect a record year

for both sales and the average sale price again this year. Rising listings and a broadening gap between new and existing home prices are two major factors that will help to boost the resale market. Another consequence of the strong resale market is that many potential buyers may opt for an existing home, causing single starts to decline slightly over the forecast period.

Slow Down in Multiple Starts

Multiple starts are expected to end 2005 with 270 new units in the Capital region. This is a decline from the 2004 level, but strong in historical terms. However, rising vacancies and an ample supply of listings on the MLS® market will result in a further decline in multiple starts in 2006.



FORECAST SUMMARY Fredericton CA

	2001	2002	2003	2004	2005*	2006*	% Change
NEW HOME MARKET							
Total Starts	745	548	822	803	745	650	-12.8%
Single-detached	344	327	405	401	350	330	-5.7%
Manufactured Homes **	71	92	90	93	50	50	0.0%
Multiples	330	129	327	309	345	270	-21.7%
Avg. New Home Price	\$138,200	\$156,600	\$165,000	\$188,900	\$200,000	\$205,000	2.5%
Vacancy Rate	1.5%	0.9%	1.6%	3.7%	4.0%	3.5%	
RESALE MARKET							
MLS® Sales	1384	1474	1655	1923	2100	2000	-4.8%
Average Sales Price	\$105,818	\$105,245	\$115,229	\$119,191	\$125,000	\$128,000	2.4%

* Forecast

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This publication is also available in French. For more information, or to subscribe, contact Michèle Merrick at the Atlantic Business Centre at (902) 426-4708. Ce document est disponible en français. Veuillez communiquer avec Michèle Merrick au Centre d'affaires de l'Atlantique au (902) 426-4708.

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